



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

SEP 29 2008

Report Number: A-04-07-03518

Ed Thompson, M.D., M.P.H.
State Health Officer
Mississippi State Health Department
P.O. Box 1700, O-416
Jackson, Mississippi 39215-1700

Dear Dr. Thompson:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Allowability of Costs Claimed for Reimbursement Under Mississippi's Bioterrorism Hospital Preparedness Program for the Period September 1, 2004, Through August 31, 2006." We will forward a copy of this report to the HHS action officials noted on the following page for review and any action deemed necessary.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action officials. Please refer to report number A-04-07-03518 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Peter J. Barbera".

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

HHS Action Officials:

Sandy Seaton
Health Resources and Services Administration
Office of Federal Assistance Management
Division of Financial Integrity
Parklawn Building, Room 11A-55
5600 Fishers Lane
Rockville, Maryland 20857

Jay Petillo
Director of Resource Planning and Evaluation
Assistant Secretary for Preparedness Response
200 Independence Avenue, SW, Room 624D
Washington, DC 20201

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ALLOWABILITY OF COSTS
CLAIMED FOR REIMBURSEMENT
UNDER MISSISSIPPI'S
BIOTERRORISM HOSPITAL
PREPAREDNESS PROGRAM FOR
THE PERIOD SEPTEMBER 1, 2004,
THROUGH AUGUST 31, 2006**



Daniel R. Levinson
Inspector General

September 2008
A-04-07-03518

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Under section 319 of the Public Health Service Act, the Bioterrorism Hospital Preparedness Program (the Program) provides funds to State, territorial, and municipal governments or health departments to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism and other public health emergencies from April 2002 to March 2007, the Health Resources and Services Administration (HRSA) administered the Program. In March 2007, the Pandemic and All-Hazards Preparedness Act (P.L. No. 109-417, December 19, 2006) transferred responsibility for the program from HRSA to the Assistant Secretary for Preparedness and Response.

In Mississippi, the State Department of Health (the State agency) administers the Program. For the 2-year period September 1, 2004, through August 31, 2006, the State agency claimed Program reimbursement totaling \$7.4 million.

OBJECTIVE

The objective of our audit was to determine whether the costs that the State agency claimed for reimbursement under the Program for the 2-year period September 1, 2004, through August 31, 2006, were allowable, allocable, and reasonable.

SUMMARY OF RESULTS

The \$7,413,614 the State agency claimed for reimbursement for the period September 1, 2004, through August 31, 2006, was allowable, allocable, and reasonable. Accordingly, this report contains no recommendations.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Bioterrorism Hospital Preparedness Program.....	1
Mississippi Program Funding	1
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective	2
Scope	2
Methodology	2
RESULTS OF REVIEW	3

INTRODUCTION

BACKGROUND

Bioterrorism Hospital Preparedness Program

The Bioterrorism Hospital Preparedness Program (the Program) provides funds to State, territorial, and municipal governments or health departments to upgrade the preparedness of hospitals and collaborating entities to respond to bioterrorism and other public health emergencies.¹ From March 2002 to March 2007, the Health Resources and Services Administration (HRSA) administered the Program. In March 2007, the Pandemic and All-Hazards Preparedness Act (P.L. No. 109-417, December 19, 2006) transferred responsibility for the Program from HRSA to the Assistant Secretary for Preparedness and Response.

HRSA elected to establish 12-month program years for 2003 through 2005 and then extended the years for up to 24 additional months.² HRSA issued a notice of award to each grantee to set forth the approved budget as well as the terms and conditions of the individual cooperative agreement.

To monitor the expenditure of these funds, HRSA required grantees to submit financial status reports (FSR) showing the amounts expended, obligated, and unobligated. Financial reporting requirements (45 CFR § 92.41(b)(3)) for Department of Health and Human Services grants to State and local governments state: "If the Federal agency does not specify the frequency of the report, it will be submitted annually." Because program guidance for 2003 was silent on the frequency of submission, annual FSRs were required for that year. Program guidance for 2004 and 2005 required quarterly interim FSRs and a final FSR 90 days after the end of the budget period, which we refer to in this report as a "program year."

Mississippi Program Funding

In Mississippi, the Mississippi State Department of Health (State agency) administers the Program and distributes funds to subrecipients to carry out Program objectives. For the period September 1, 2004, through August 31, 2006, the State agency was awarded approximately \$10.4 million and expended approximately \$7.4 million.

¹Congress initially authorized funding for this program under the Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002, P.L. No. 107-117, through the Public Health and Social Services Emergency Fund at section 319 of the Public Health Service Act (42 U.S.C. § 247d). In June 2002, Congress enacted section 319C-1 of the Public Health Service Act (42 U.S.C. § 247d-3a) to support efforts to counter potential terrorist threats and other public health emergencies.

²For Mississippi, program year 2003 was August 31, 2003, to August 31, 2005; program year 2004 was September 1, 2004, to February 28, 2007; and program year 2005 was September 1, 2005, to August 31, 2007.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the costs that the State agency claimed for reimbursement under the Program for the period September 1, 2004, through August 31, 2006, were allowable, allocable, and reasonable.

Scope

Our review covered the \$7.4 million in direct (\$7,313,396) and indirect (\$100,218) costs that the State agency claimed for Program activities during the 2-year period September 1, 2004, through August 31, 2006, regardless of the grant year to which the expenditures were related. Program years 2004 and 2005 were extended through February 28, 2007, and August 31, 2007, respectively. We limited our review of direct costs to a nonstatistical sample of 90 Program expenditures for the period September 1, 2004, through August 31, 2006.

We did not review Program expenditures claimed by the State agency after August 31, 2006, totaling approximately \$2.2 million. Consequently, we offer no conclusions concerning the allowability of costs associated with this period.

We did not review the overall internal control structure of the State agency or its subrecipients.³ We limited our review of internal controls to obtaining an understanding of (1) the procedures that the State agency and two subrecipients, Mississippi Hospital Association Health, Research and Educational Foundation, Inc. (MHA Foundation) and University of Mississippi Medical Center, used to account for Program funds and (2) the State agency's subrecipient monitoring procedures.

We conducted our fieldwork at the State agency and the University of Mississippi Medical Center offices in Jackson, Mississippi, and MHA Foundation in Madison, Mississippi from April through May 2008.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations, State policies, program guidance, and notices of award for 2004 and 2005;
- reviewed State agency's accounting procedures and monitoring of subrecipients;
- tested FSRs for completeness and accuracy and reconciled the amounts reported to the accounting records and notices of award;

³Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," defines a subrecipient as a non-Federal entity that expends Federal awards from a passthrough entity and sets forth certain Federal audit requirements.

- verified that the State agency claimed indirect costs using the rate and base in its “State and Local Rate Agreement” approved by the Department of Health and Human Services Division of Cost Allocation;⁴
- interviewed officials and employees from the Mississippi State Department of Health and the Mississippi Office of the State Auditor;
- reviewed all programs related to infectious diseases, bioterrorism, emergency, preparedness and response prior to the receipt of bioterrorism program funds for evidence of supplanting;⁵
- selected and tested a nonstatistical sample of 59 expenditures to determine whether the State agency expended Program funds for allowable, allocable, and reasonable costs; and
- reviewed two subrecipients’ procedures to account for funds expended and tested a total of 31 nonstatistically selected subrecipient expenditures for allowability.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF REVIEW

The \$7.4 million the State agency claimed for reimbursement for the period September 1, 2004, through August 31, 2006, was allowable, allocable, and reasonable. Accordingly, this report contains no recommendations.

⁴Office of Management and Budget has designated the Division of Cost Allocation as the cognizant Federal agency for reviewing and negotiating facility and administrative (indirect) cost rates that grantee institutions use to charge indirect costs associated with conducting Federal programs.

⁵Section 319C-1(j)(2) of the Public Health Service Act (42 U.S.C. § 247d-3e) states that program funds are meant to augment current funding and not to replace or supplant any other Federal, State, or local funds provided for these activities.